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March 26, 2009

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

We would like to thank the NCUA Board of Directors for providing this opportunity to comment upon the structure and operations of corporate credit unions. The following comments are provided on behalf of management and the Board of Directors of Tyndall Federal Credit Union.

Corporate credit unions provide a vital role within the credit union community. They provide essential correspondent services that, in many cases, achieve economies of scale beyond the capabilities of most credit unions. Like natural person credit unions, they are not-for-profit financial cooperatives that are owned and operated for the benefit of their members. As a result, their product pricing and fees are generally lower and service is better than that available from other forms of financial institution correspondents, adding to the credit union value proposition. Natural person credit unions also select corporate credit unions as their correspondents since credit union principles and culture extend to the corporate credit unions. We believe there is a place for corporate credit unions.

The current credit union system, consisting of natural person credit unions, corporate credit unions and U.S. Central provides an unnecessary layer of management and cost structure. Corporate credit unions should serve as the sole intermediary between natural person credit unions and the various endpoints of payment and liquidity systems. The existence of a wholesale corporate credit union such as U.S. Central appears redundant. Elimination of this layer should decrease costs, risks and increase efficiency within the corporate credit union system.

There also does not appear to be a need for 28 different corporate credit unions. Consideration should be given to establishing a regional system, along the lines of the Federal Reserve Bank, Federal Home Loan Bank, or Canadian credit union systems. The resultant corporate credit unions could still have national fields of membership to provide their services and foster competition and efficiency within the corporate credit union system.

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Governance within the corporate credit union system needs to be improved. Consideration should be given to establishing uniform guidelines and structure for governance. Minimum experience and education requirements for corporate credit union volunteers should be established. Term limits should also be considered to ensure volunteer independence and "fresh looks" at corporate business and strategies. There also should be mandatory continuing education for volunteers in order for them to adequately discharge their responsibilities. These items are critical not only for board members, but supervisory committee members as well.

While volunteer training may have occurred at some corporate credit unions in the past, it was often conducted by corporate credit union staff. It would be most prudent to have any training be required to be conducted by independent parties.

We can understand a natural hesitancy to establish mandatory minimum and continuing education requirements for volunteers. However, these volunteers have a fiduciary responsibility to the membership, oversee billions of dollars, and as a result, the membership deserves fully trained and qualified volunteers.

Having a corporate credit union board of directors consist entirely of Chief Executive Officers of their members does not provide the requisite diversity necessary for effective governance. Corporate credit union boards should reflect diversity of competence in various disciplines, such as finance, information technology, human resources, etc.

Hindsight appears to have shown us that the level of capital required for corporate credit unions was too little and inconsistent with the levels of investment authority that had been granted. The NCUA Board needs to set corporate credit union capital levels commensurate with the authorities granted corporate credit unions in order to maintain the integrity of the credit union community.

In 1988, a risk-based capital requirement was introduced to financial institutions through the Basel Accords. These risk-based capital requirements seek to evaluate capital adequacy based upon both on balance sheet assets and off-balance sheet commitments. Additionally, these capital requirements attempt to measure perceived risk based upon the types of investments and loans. Risk-based capital requirements should be established for corporate credit unions in order to better measure capital adequacy against the specific types of loans and investments held by the corporate credit union.

The use of ratings provided by a Nationally Recognized Statistical Rating Organization is a widely used risk mitigation tool. However, we have recently seen that such ratings may not be totally reliable. Ratings from two or more such organizations should be required before acquisition of an investment; where there is a disparity between ratings, the lowest rating should be used as the indicator of credit quality.

Serious consideration also needs to be given to establishment of alternative forms of capital, not only for corporate credit unions, but natural person credit unions as well. Funding capital through retained earnings may require an extended timeframe in order to increase capital levels. Paid-in-Capital as well as Member Capital Shares requires member participation in order to increase capital. In the aftermath of the Corporate Credit Union Stabilization Plan, such member participation may be severely curtailed.

Should Share Insurance Fund (SIF) deposits and assessments be levied against corporate credit unions in future periods, consideration should be given to charging such deposits and assessments on a risk-weighted basis. Whether by capital ratio or some other risk-based calculation, the amount of deposits and premium assessments should reflect the relative risk to the SIF. This concept should also be considered for natural person credit unions. Those institutions that pose the largest risk to the SIF should be required to pay the largest assessments.

We would be pleased to discuss our comments or thoughts in further detail should you request.

Sincerely,

Steven E. Ravin
Executive Vice President & Chief Financial Officer

James M. Warren
President & Chief Executive Officer

Joseph T. Manning
Chairman